

WATER/SNR/TAC/TKM:jrb**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****WATER DIVISION****RESOLUTION NO. W-4352****October 24, 2002****R E S O L U T I O N**

**(RES. W-4352), LITTLE BEAR SEWER COMPANY (LBSC).
ORDER AUTHORIZING A SURCHARGE TO RECOVER AN
UNDERCOLLECTION IN ITS PURCHASED POWER
BALANCING ACCOUNT PRODUCING AN INCREASE IN
ANNUAL REVENUE OF \$7,959 or 3.95%.**

SUMMARY

By Advice Letter No. 14-S, filed on July 2, 2002, LBSC seeks revision of its tariff Schedule No. SS-1, Residential Sewer Service, to provide an increase in revenues of \$7,959 or 3.95%. This increase is a result of increased costs for purchased power for Pacific Gas & Electric (PG&E) power emergency charges through November 29, 2001 and were not included in LBSC's rates which were in effect on January 5, 2001. LBSC's present rates became effective on January 2, 2002, pursuant to Resolution (Res.) W-4312, dated December 11, 2001, which authorized a general rate increase. This offset rate increase will not result in a rate of return greater than that authorized by Res. W-4312.

BACKGROUND

LBSC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset \$7,800 increase in purchased power costs and \$159 in related increase in franchise taxes. The purchased power increase became effective by Commission Decisions (D.) 01-01-018, D.01-03-082 and D.01-05-064, which authorized PG&E surcharges.

LBSC serves approximately 392 sewer customers mainly in Royal Estates Subdivision and vicinity, located approximately 3 miles southwest of King City, County of Monterey. The present rates of LBSC became effective on January 2,

2002, pursuant to Res.W-4312, which authorized a general rate increase of \$42,840 or 26.4%. The resolution authorized a 13.25% rate of return for LBSC. The requested balancing account balance of \$7,959 for purchase power was not covered by the rates authorized in Res.W-4312. LBSC's Earnings Test for the calendar year 2001 shows that the company's rate of return is 9.66%. Therefore, it is not over earning on an actual basis.

DISCUSSION

Effective January 4, 2001 and March 27, 2001, PG&E surcharges for purchased power increased this expense by one cent per kilowatt-hour (kWh) and three cents per kWh, respectively, pursuant to D.01-01-018 and D.01-03-082.

Additionally, effective June 1, 2001, pursuant to D.01-05-064, the cost of purchased power was increased by an average six cents per kWh for summer consumption and an average three and a half cents per kWh for winter consumption for rate schedules A-1, A-6, and A-10. These PG&E surcharges have resulted in an additional \$7,800 increase in purchased power costs for LBSC during 2001, which were not covered by the rates authorized in Res. W-4312.

The increases in PG&E's purchased power costs will be recovered through a LBSC surcharge of \$1.69 per connection per month for a period of 12 months from the effective date of Advice Letter No. 14-S. The bill for an average residential customer will increase from \$42.76 to \$44.45, or \$1.69 or 3.95%.

Service is satisfactory. LBSC informed Water Division that it has complied with Commission order No. 3 in Res. W-4312. LBSC is in compliance with all other Commission orders.

NOTICE AND PROTESTS

Notice of the proposed rate increase was published in the The King City Rustler, Greenfield News, Soledad Bee, and Gonzales Tribune, newspapers of general circulation, on July 3, 2002, as evidenced by proof of publication provided to the Water Division by the utility. There were no protests concerning the proposed offset increase.

FINDINGS

The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Little Bear Sewer Company is authorized, five days after the effective date herein, to make effective revised Schedule No. SS-1, Residential Sewer Service, attached to Advice Letter 14-S, and to cancel the corresponding presently effective rate schedule.
2. Little Bear Sewer Company is directed to maintain a balancing account as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on October 24, 2002; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director